

Tax Increment Financing

“TIF”

Presented to
the

Leelanau County Brownfield Redevelopment Authority



Presented by

Envirologic Technologies, Inc.

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What is Tax Increment Financing?

- Use of ad valorem property taxes and specific levied taxes of all taxing jurisdictions on the captured taxable value of each parcel of eligible property including personal property on the parcel to fund certain activities

Ad valorem = a tax based on the value of real estate or personal property

Brownfield Redevelopment Financing Act P.A. 381 of 1996, as amended

- Allows Brownfield Redevelopment Authorities to use Tax Increment Financing to implement Brownfield Redevelopment Projects
 - First: Need an eligible site
 - Second: Need investment
 - Third: Need a Brownfield Plan

What makes a site eligible?

- Must be:
 - Commercial, Industrial, Public or Residential property and
 - Contaminated (“facility”) and/or
 - Blighted or Functionally Obsolete (limited) or
 - Owned or under control of Land Bank Fast Track Authority
 - Other communities (outside Leelanau County) have additional designations and options

Need Investment for TIF

Property tax revenue available for capture

Tax increment

? in value on real and personal property

X

total millage of eligible and available taxing jurisdictions

Exempted Millages

- School taxes – SET (6 mil) and Operating
 - Unless have approved Act 381 Work Plan (MDEQ or MEGA)
- Special assessments
- Debt millages
- Abatements (198, 328)
- Other TIFA Districts
 - DDA, LDFA, OPRA, etc.

Purpose of a Brownfield Plan

- Demonstrates site eligibility
- Documents the plan for reimbursement of eligible expenditures
- Estimates cost of eligible activities, amount of tax increment, amount of time to pay back those costs
- Public Hearing

Eligible Activities

- Baseline Environmental Assessment Activities
- Due Care Activities
- Additional Response Activities
- Demolition, Lead and Asbestos Abatement
- Core Community Benefits (Not available in Leelanau County)
- Administrative and Operating Authority Expenses
- Local Site Remediation Revolving Fund

Eligible Activities

BEA Activities:

Phase I and II ESA, BEA (*use EPA Grant for example*) \$17,000

Due Care Activities

Soil Management (Removal, Disposal, Backfill) \$ 66,000

Brownfield Plan \$ 4,000

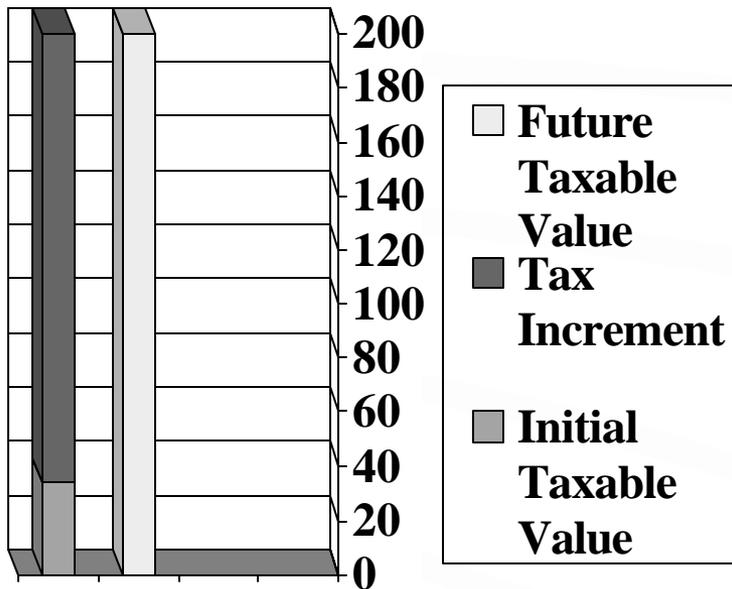
SUBTOTAL \$ 87,000

Administrative Costs of the Authority \$ 1,000

TOTAL \$ **88,000**

Local Site Remediation Revolving Fund \$ 44,000

Tax Increment



- Existing tax revenues from Initial Taxable Value continue to go to each taxing jurisdiction
- Only new tax revenues (the tax increment) are used for reimbursement of eligible activities
- Non-School and School taxes

Tax Increment

Initial Taxable Value	Future Taxable Value	Tax Increment
\$ 34,000	\$ 200,000	
x 53 mils	x 53 mils	
\$1,800	\$10,600	\$8,800

Tax Increment and Taxing Jurisdictions

WINTER TAXES								
Taxing Jurisdiction		ISD	Library	TRNS	Med Care	Senior Svcs	Jail	Total
Millage		7.8667	1.8642	2.9597	1.9406	1.2488	2.4879	18.3679
Initial Taxable Value	\$ 34,200.00	\$ 269.04	\$ 63.76	\$ 101.22	\$ 66.37	\$ 42.71	\$ 85.09	\$ 628.18
Future Taxable Value	\$ 200,000.00	\$ 1,573.34	\$ 372.84	\$ 591.94	\$ 388.12	\$ 249.76	\$ 497.58	\$ 3,673.58
Captured Taxable Value	\$ 165,800.00	\$ 1,304.30	\$ 309.08	\$ 490.72	\$ 321.75	\$ 207.05	\$ 412.49	\$ 3,045.40

SUMMER TAXES									
Taxing Jurisdiction		City Oper	Road Comm.	Police Fire	JCC Oper	ISD Oper	ISD Spec Ed	County Oper	Total
Millage		8.7192	2.9197	5.12	2.1511	2.1719	4.8892	8.6543	34.6254
Initial Taxable Value	\$ 34,200.00	\$ 298.20	\$ 99.85	\$ 175.10	\$ 73.57	\$ 74.28	\$ 167.21	\$ 295.98	\$ 1,184.19
Future Taxable Value	\$ 200,000.00	\$ 1,743.84	\$ 583.94	\$ 1,024.00	\$ 430.22	\$ 434.38	\$ 977.84	\$ 1,730.86	\$ 6,925.08
Captured Taxable Value	\$ 165,800.00	\$ 1,445.64	\$ 484.09	\$ 848.90	\$ 356.65	\$ 360.10	\$ 810.63	\$ 1,434.88	\$ 5,740.89

Reimbursement Schedules

- Maximum Plan 35 year duration
 - Can only capture taxes for 30 years
- Includes Local Site Remediation Revolving Fund (LSRRF)
- Interest is allowable for developer financing costs

Reimbursement Schedules

Year	Incremental Taxes Captured	Funds Disbursed		
		Authority	Developer	Revolving Fund
2007	8800	\$8,800.00	\$0.00	
2008	8800	\$8,800.00	\$0.00	
2009	8800	\$400.00	\$8,400.00	
2010	8800		\$8,800.00	
2011	8800		\$8,800.00	
2012	8800		\$8,800.00	-
2013	8800		\$8,800.00	-
2014	8800		\$8,800.00	-
2015	8800		\$8,800.00	-
2016	8800		\$8,800.00	-
2017	8800			8,800.00
2018	8800			8,800.00
2019	8800			8,800.00
2020	8800			8,800.00
2021	8800			8,800.00
Totals		\$18,000.00	\$70,000.00	44,000.00

Show Me the Money!?

- Tax increment would be captured during the following tax year from the Plan date, assuming there is TIF:
 - Tax rates (increases unpredictable)
 - Assessed Values (equalization, inflation, limitations, market, new investment)
 - Non-school vs. School TIF
- County ultimately will track the Plan
- County Treasurer transfers tax increment revenues to the LCBRA 30 days or less from date tax increment revenues are collected

Brownfield Plan Implementation

- TIF Reimbursement from LCBRA dependent on:
 - Availability of TIF
 - Schedule for disbursements:
 - LCBRA Expenses, Loan, Developer, LSRRF
 - Development/Reimbursement Agreement
 - Eligible Costs (Act 381/MDEQ/MEGA)
 - Estimates vs. Actual Costs

Confused?

Q and A!

